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The Weekly Newspaper of the Food-Service Industry

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Coniston wins TW

$1.7 billion bid does the trick

By Peter Romeo

NEW YORK — Coniston Partners, the arbitrager that tenaciously pursued a takeover of TW Services through nine trying months of legal maneuverings, has finally bagged the food-service giant with a shotgun blast of cash.

TW, the nation's fourth-largest restaurant operator, dropped its steadfast opposition after Coniston sweetened its stock-tender bid to $34 per share, or $1.7 billion in total. Coniston had been offering $29 per share, or $1.4 billion, and had begun amassing TW's stock in September at $19 per share.

TW confirmed that it had fielded other purchase proposals, but it would not disclose whether those offers were for all or only part of the company. Its food-service empire includes Denny's, the segment-leading coffee-shop chain; Canteen Corp., a contract-feeding behemoth; Quincy's, a regional steak-house operation; El Pollo Loco, a quick-service chicken chain; and 400 franchised Hardee's hamburger outlets.

"We plan to grow both of TW's core operations — restaurants and food-service [management] — through both expansion and acquisitions," said Coniston principal Paul Tierney. "We expect very few divestitures."

However, the day after Coniston revealed its pending acquisition, a TW subsidiary disclosed that it would weigh the possibility of selling Winchell's Donut Houses, a limited partnership in which TW holds a 42-percent stake.

*(See **CONISTON**, page 4)*

TW Services Inc.
Paramus, N.J.
Operates: 1,250-unit Denny's coffee-shop chain; 215-unit Quincy's steak-house chain; 400 franchised Hardee's hamburger restaurants; 100-store El Pollo Loco grilled-chicken chain; Canteen Corp., a Chicago-based contract feeder; 725-unit Winchell's Donut Houses snack chain.
Financial data (1988): net profit of $66.9 million, up 18 percent from prior-year figure, on revenue of $3.6 billion, up 44 percent.
Top officers: Frank Salizzoni, chairman and chief executive; Jerry Richardson, president.
Source: company reports

NRN Photo

Kids take their time ordering from children's menus at Mick's.

KID POWER

Operators boost family business by catering to children's needs

By Jack Hayes

Like grandparents lonely for the sound of voices in an empty house, savvy restaurateurs from coast to coast are opening their dining rooms to let the children in.

And with the kids are coming grown-ups — and a new and highly profitable early-evening dining group: the family.

"Fifty percent of our covers between 4 p.m. and 8 p.m. are families with kids!" exclaimed Eduardo Greene, a partner in 80, a restaurant that was converted from a singles bar in the McKinney district north of downtown Dallas.

"We're touching a real live market," added Greene, who considers himself a

*(See **KIDS**, page 65)*

Lights, cameras, fast food!

Top chains bank on movie tie-ins

By Rajan Chaudhry

With summer competition heating up, several top fast-food operations are turning the spotlight on movie tie-ins in hopes of translating box-office success into blockbuster sales gains.

Hardee's Ghostbusters promo

Hardee's said it expects to "blast" and "slime" rivals McDonald's and Burger King with its Columbia Pictures' "Ghostbusters II" promotion; segment leader Taco Bell is betting on Warner Bros.' "Batman" to build customer counts; and industry giant McDonald's is once again teaming with Disney to pull the Big Screen's littlest fans into the restaurant.

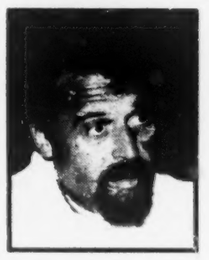
Movie promotions at Hardee's and Taco Bell focus on 32-ounce collector cups and new products. For both companies, major tie-ins with movies are a new item on marketing menus.

McDonald's, on the other hand, has had several occasions over the past 10 years to pair the silver screen with the golden arches, including a tie-in with Disney's 50th anniversary of "Cinder-

*(See **OPERATORS**, page 65)*

Banchet sells out

Liccionis buy Le Français



Banchet

By Carolyn Walkup

WHEELING, Ill. — Jean Banchet, the celebrated French-born kitchen maestro who has influenced a generation of American chefs, is selling Le Français, the legendary fine-dining restaurant he founded here 16 years ago with his wife, Doris.

The Banchets are selling the restaurant to Roland and Mary Beth Liccioni, chef and pastry chef at Carlos in nearby Highland Park, Ill., until just last month. Mary Beth Liccioni once apprenticed under Jean Banchet.

The Liccionis will take over in mid-July, according to Doris Banchet. Terms of the deal were not disclosed.

The name will stay the same, and the staff is expected to stay on, she said. The Banchets will continue to own the building.

Le Français earned a spot on the pinnacle of the fine-dining world for its top-quality cuisine, elaborate cart presentations of specials before orders are taken, and 80-page wine list.

Many entrées include a dazzling array of up to seven items on one plate,

*(See **BANCHETS**, page 65)*

FOOD WATCH

Pipeline strikes oil

NEW YORK — Peruvian-born chef Gonzalo Figueroa of the new Pipeline restaurant at the World Financial Center is blending a world of flavors with a linguine-and-shrimp entrée flavored by a pungent, Vietnamese-style peanut oil.

Figueroa combines sautéed shrimp shells with garlic and ginger in peanut oil and lets the fortified cooking oil marinate a week. After straining out the shells, he sautés fresh shrimp in the oil, adding fresh ginger, garlic, lemon grass, scallions, and lemon juice. Cooked linguine is tossed in at the last minute. Price: $13.50.

— Rick Telberg

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NEWS DIGEST

Tower, partners sued over use of Speedo 690 name

SAN FRANCISCO — Contending that chef Jeremiah Tower and his partners in the new Speedo 690 restaurant here are infringing on a trademark, swimsuit maker Speedo International is suing the group.

The sportswear company has asked the courts to order Tower and his partners to change the name of their weeks-old establishment and to award Speedo International triple the amount of any profits the restaurateurs might realize while using the Speedo monicker.

"We named it [the restaurant] after the Speedo Carburetor shop, and they [owners of the automotive shop] had used that name for a great many years," remarked Tower aide Kathleen Shy. She would not comment about how Speedo 690's owners plan to respond.

Cuomo proposes limits to teens' working hours

ALBANY, N.Y. — In a move likely to draw fire from restaurateurs, Gov. Mario Cuomo has proposed new restrictions on the number of hours teen-agers can work during the school year.

The limits would prohibit 16- and 17-year-olds from working more than 28 hours per week, compared with the current cap of 48 hours. What's more, the students would be prohibited from laboring more than four hours on evenings preceding a school day and from working more than eight hours on Fridays and Saturdays. The teens would also be forbidden to work past 10 p.m. on a school night.

The governor was spurred to draft the proposal by research showing that employed students miss school more frequently and do less homework than do peers who don't work. The proposals come at a time when the restaurateurs in many areas of New York State are hardpressed to staff their operations.

Monaghan relinquishes Domino's helm to Black

ANN ARBOR, Mich. — Tom Monaghan, the owner of Domino's Pizza, has given up the title of president to Dave Black, a 17-year veteran of the 5,000-unit delivery chain.

Monaghan will remain chairman and chief executive — "active but on different things," he said. Responsibility for day-to-day operations has been ceded to Black, 40, who will also serve as chief operating officer. He was previously vice president of operations.

"We've been talking about this internally for a long time," said Monaghan, who added that he would focus on long-term planning. "We think the time is right." The pizza delivery market has been the scene of intense competition in recent years.

Spurt in vegetable prices ignites food costs in May

WASHINGTON — Spurred by a 55-percent year-over-year hike in the cost of fresh and dried vegetables, wholesale food-price inflation galloped along at a 7.1-percent clip in May, after slowing to 6.8 percent in April.

High food costs contributed to a 0.9-percent month-to-month rise in the overall Producer Price Index, or a 9.4-percent annual rate.

In 1988 prices at the producer level advanced 4 percent, according to the U.S. Labor Department.

Poultry prices also took off in May, with the cost of eggs advancing 51 percent year-to-year, the price of turkey rising [illegible] percent, and the cost of chicken increasing 26 percent, according to the Producer Price Index for Finished Consumer Foods.

Shoney's Danner succeeded by Boyd

Danner

By Rajan Chaudhry

NASHVILLE, Tenn. — Ray Danner, the founder of Shoney's Inc., has relinquished day-to-day control of the restaurant company to J. Mitchell Boyd, the second-in-command since 1986.

In addition to succeeding Danner as chairman, Boyd will continue to serve as chief executive. His former post of vice chairman will temporarily remain vacant, according to the company.

Danner, 64, will continue to serve Shoney's in an advisory capacity as senior chairman, the company said.

In 1959 Danner purchased franchise rights from Alex Schoenbaum to develop Shoney's restaurants in Tennessee. Since then, Shoney's Inc. has grown to include more than 1,500 restaurants — under the Shoney's, Captain D's, Lee's Famous Recipe Chicken, Pargo, and Fifth Quarter banners — and about 50 Shoney's Inns, with total revenues exceeding $800 million.

Boyd, 50, joined Shoney's 23 years ago as a management trainee and rose through the ranks to vice president of operations before striking out on his own as a franchisee in 1977. In 1986 Danner lured Boyd back as vice chairman and chief executive by offering him a substantial equity position in Shoney's and buying Boyd's Virginia operations.

Under Boyd's management, the company undertook a recapitalization in 1988, triggering a shift toward franchising and sparking expansion beyond the company's Southern stronghold.

Coohill to exit The Abbey for Peasant's City Grill

ATLANTA — Tom Coohill, the young culinarian who set kitchen fires burning at the popular Abbey restaurant here a year ago, will become the Peasant Restaurant group's first executive chef when he joins the City Grill on July 1.

City Grill, which debuted six months ago as Peasant's first move into the formal-dining arena, was challenged by an Atlanta Journal & Constitution review labeling the fare average and the operation a Queen Mary with training wheels.

James, formerly of Kuleto's, moves to Yellow Fingers

NEW YORK — A young former chef of the popular Kuleto's in San Francisco has been hired to run the kitchen at Yellow Fingers, a casual restaurant here that had been overseen by culinary phenom Brendan Walsh.

At Kuleto's Jesse James specialized in Italian dishes with French accents. Yellow Fingers' menu features light Italian fare with American influences.

The restaurant is part of a midtown restaurant enclave that also includes Arizona 206, a top-rated Southwestern restaurant, and Contrapunto, a popular pasta restaurant. Walsh had overseen all three places until his departure earlier this year to open a restaurant of his own.

Donn 'the Beachcomber' dead of cancer at 81

HONOLULU — Donn "the Beachcomber" Beach, the eccentric restaurateur who reputedly concocted such drinks as the Mai Tai and the Zombie, died here of liver cancer at age 81.

Beach owned and operated Don the Beachcomber, a restaurant chain that had units in Chicago; Las Vegas, Nev.; Honolulu; and Hollywood, Calif. He claimed that he invented more than 80 signature libations at his restaurants.

FINANCIAL NEWS

Eating place expenditures rise 703% over last 23 years

By Deane Evans

WASHINGTON — Spending for food in restaurants and other food-service outlets during the past 25 years has increased at twice the rate of grocery store expenditures, according to U.S. Department of Agriculture economists.

In a new report on food expenditures, USDA researchers said away-from-home spending increased a massive 703 percent from 1965 to 1988, more than double the at-home rate, which advanced 334 percent during the same period.

Breaking down the 25-year figures, economists reported that the food-service share of food spending rose from 30 percent in 1965 to 39 percent in 1980 and hit 45 percent in 1988. According to the report, between 5 percent and 10 percent of food-service expenditures went for the cost of preparing and serving the food.

With restaurants edging toward a 50-50 share, total food expenditures reached $473 billion last year. Food-service spending rose 6 percent from 1987 to 1988, compared with a 4-percent increase in expenditures for food at home.

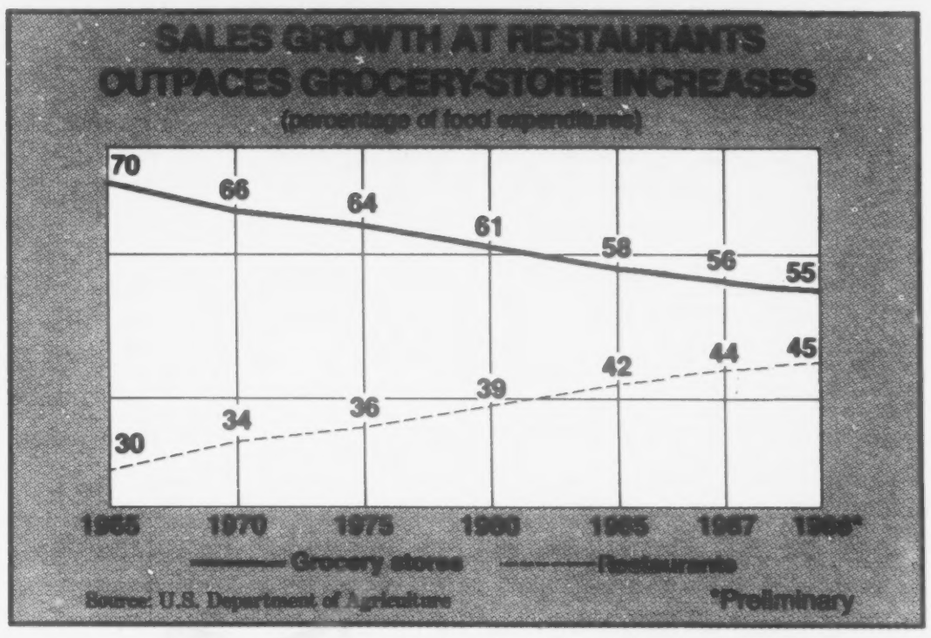
"One reason for this difference is that people are eating out more as incomes rise and as more women enter the work force," the USDA said. And fast-food sales continue to be a key force in food-service growth, they reported.

In 1987 one-third of all away-from-home food was bought in fast-food places, up from 10 percent in 1963, Agriculture Department economists said.

At the same time increases in food-service spending also reflect the steeper menu-price inflation for away-from-home meals and snacks of the mid-'80s, researchers explained.

For example, prices for food purchased for home consumption rose 3.7 percent in 1984 compared with a 4.2-percent increase in food-service prices. The difference was even greater in 1985 when at-home food prices increased only 1.4 percent while restaurant prices rose a full 4 percent.

However, price increases in the two sectors have evened out during the past two years. In 1988 prices for food consumed at home rose 4.2 percent while prices in restaurants increased 4.1 percent.



El Pollo Asado expects $4.8M loss

By Rajan Chaudhry

PHOENIX, Ariz. — El Pollo Asado Inc. said it expects to report a loss of about $4.8 million for the year ended March 26, compared with a $7.7 million loss in fiscal 1988.

The latest year's operating loss reflects an addition of $2.7 million to the company's reserve for the closing of unprofitable restaurants, which was established last year. The charge to the reserve in fiscal 1988 totaled $3.6 million.

The increase in the reserve was largely the result of the company's decision to continue conversion of all company restaurants to the new Mexican Cafe format. But the costs of moving the company's commissary also contributed.

El Pollo Asado operates 15 company Mexican and charbroiled chicken restaurants. Five are Mexican Cafes, seven will be converted to Mexican Cafes this year, one will be closed, and two will be sold or converted. It also franchises 21 restaurants, including nine Mexican Cafes.

El Pollo Asado has negotiated the settlement of lease obligations on six closed restaurants, according to chairman and chief executive Richard B. Lipson, reducing its loss from continuing operations to $2.1 million from $4.1 million, and it has refinanced its bank debt with its principal lender.

The debt restructuring includes additional borrowings as well as a moratorium on scheduled principal and interest payments until June 1991.

Of the total borrowings, $3.5 million has been converted to non-interest-bearing subordinate debentures, due in 1992. The company's lender will be granted warrants to purchase 2.7 million common shares at 20 cents each, and El Pollo Asado will have a right of first refusal to repurchase the shares at $1.80 a share or market price, whichever is lower.

The company also said it signed a franchise agreement with Carousel Commons, which will develop 10 El Pollo Asado Mexican Cafes here, in Las Vegas, Nev., and in Orlando, Fla.

Carousel Commons units combine up to six restaurant concepts in a building, have a food court inside and drive-thru windows for three of the concepts on the inside, said Ronald A. Paradis, Asado executive vice president.

FOOD PRICE OUTLOOK

Orange juice, ham prices may rise

The possible rise in **frozen orange juice concentrate** prices predicted here last week looks closer. Brazilian concentrate, which has become essential to U.S. packers, has risen steeply, and the supply of domestic Valencia oranges isn't enough to meet demand, so its price has climbed. Private label packers are expected to be the first to start another round of price hikes.

Although there's still a large supply of **imported canned hams** overhanging the market, the price may turn soon. For the past three months imports have fallen off. At the same time, the price of **green hams** in this country has gone up, and this is now being reflected in higher prices for **domestic canned hams.**

The **cling peach** crop looks good, according to early estimates. The forecast is for a 6-percent gain over last year's crop. Combined with a better carryover of the canned pack than last year's, this should mean at least stable prices for the fall and perhaps a little softening.

Although New York state is expecting a shorter **apple** crop than normal this year, prices of **juice** and **applesauce** should remain stable because of cutbacks in consumer consumption because of the Alar scare. Alar, by the way, has been taken off the market, so the concern should finally fade away.

Stay braced for high **canned** and **frozen green bean** and **pea** prices. Opening processor prices for the new packs have been running at about the same level as the ending prices of the old pack.

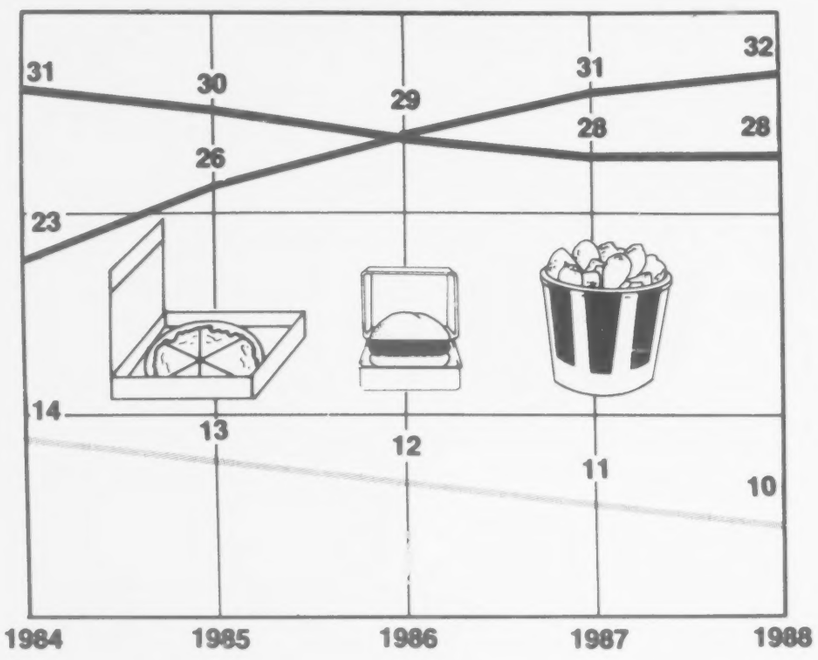
— Patt Patterson

FACT FILE

A look at the statistics shaping the industry

PIZZA TOPS TAKE-HOME TRENDS

(percentage share)



Source: NPD Crest

NRN FINANCIAL DIGEST

Karcher accountant acquitted

LOS ANGELES — A federal court jury has acquitted Carl Karcher Enterprises' accounting director, Alvin De Shano, of securities fraud and insider trading charges.

De Shano, cleared of using internal information to avoid a $7,107 stock loss, was one of 15 company officials and Karcher family members charged last year by the Securities and Exchange Commission. He was the only one to face criminal charges.

The SEC's civil suit against seven Karcher family members, including company chairman Carl Karcher, founder of the Carl's Jr. fast-food chain, was postponed. Karcher's lawyers said an out-of-court settlement of those charges is increasingly likely in the aftermath of De Shano's acquittal.

A deal calling for Karcher to pay a $332,000 fine collapsed last month when federal prosecutors refused to guarantee that criminal charges will not be filed against him before the statute of limitations expires in October.

Karcher's co-defendants would also have been required to pay $332,000, the amount they saved by selling company stock after Karcher allegedly tipped them in late 1984 that the Anaheim, Calif.-based firm would report a 50-percent earnings decline.

President Donald Karcher and five other family members settled with the SEC in February by paying $187,560. Carl Karcher's son, Carl Leo Karcher, was earlier fined $10,500.

Winchell's names panel to mull sale

LA MIRADA, Calif. — WDH Services Inc., general partner of Winchell's Donut Houses L.P., said a special committee of Winchell's board has been formed to consider various methods of enhancing unit-holder value, including a possible sale of the partnership.

WDH Services said the committee had retained Montgomery Securities to assist it in its evaluation.

WDH Services is a wholly owned subsidiary of Denny's Inc., which owns 42 percent of the outstanding partnership interests.

Skyline Chili boosts profits 4%

CINCINNATI — Skyline Chili Inc. said increased interest expense held net income to $105,000, a 4-percent gain, despite a 40-percent year-to-year rise in revenues, to $4.2 million, for the second quarter ended May 14.

The company said the added interest costs stemmed from the purchase of 10 stores from a franchise group in late 1988, while the higher revenues were the result of an increase in the number of restaurants in operation, increased sales generated by the new carry-out containers, and a wider distribution of the company's grocery products.

For the first half, Skyline Chili said profits improved 3 percent — to $301,000 — and revenues rose 32 percent, to $9.4 million.

The company operates and franchises a system of 82 Skyline Chili restaurants.

FOCUS | OPINION

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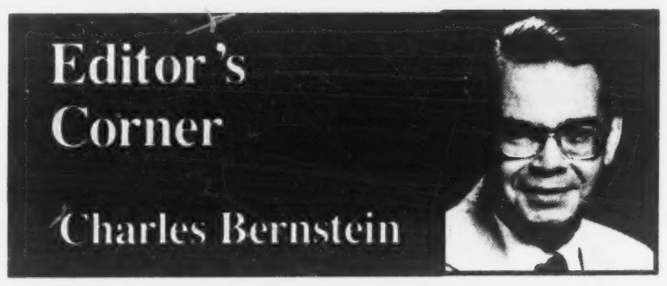
Unicorp: A menace to Dunkin's dream

In an age of franchisee revolts, court battles and protests against franchisors, it is gratifying to see franchisees rallying to the defense of Dunkin' Donuts in resisting a takeover bid by George Mann's Toronto-based conglomerate, the Unicorp Canada Corp.

Mann, who has increased his Dunkin' stock ownership to 12 percent through his newly created Kingsbridge Capital Group, has made his takeover intentions clear. If he wants to acquire a thriving chain, he could not do better than Dunkin', painstakingly built over the last 26 years by the toil and sweat of chairman-chief executive Robert Rosenberg and his franchisees.



With Coniston Partners, a New York investment firm, finally set to acquire TW Services (Denny's, Winchell's Donuts, El Pollo Loco, Spartan Foods, Canteen Corp.), the dangers of conglomerate takeovers are spotlighted more than ever before.

The Dunkin' situation is almost the opposite of the one last fall in which Grand Metropolitan of London took over Pillsbury and Burger King with the full support of the franchisees, who were disillusioned with the previous management.

Dunkin' franchisees are thrilled with their current management and have been for years. They would hate to see a conglomerate move in, threatening the security and steady growth that Dunkin' has enjoyed for years.

Rosenberg, who is feeling intense heat in the takeover battle, is pleased with the staunch support of his franchisees. He is particularly proud of a letter from franchisee Terry Markham, who wrote: "Tell the Canadians to bring lunch. This is going to be a long fight."

Markham has supported this by digging into his retirement fund and purchasing 1,200 Dunkin' shares. So have other franchisees who believe in the Dunkin' dream that long hours and dedication bring their own rewards. An overwhelming pride prevails throughout this almost entirely franchised 1,450-unit, $850 million-volume chain.

The Dunkin' Franchisee Council has vowed maximum support to its current ownership and maximum opposition to any acquisition effort.

We are convinced that a takeover of Dunkin' by Unicorp or any other company would be a travesty. Here is an independent chain that is doing just fine on its own, pleasing customers and providing jobs to a wide diversity of people, including numerous families and immigrants from Greece, Portugal, India, and the Far East.

A newly arrived Portuguese immigrant asked last fall for a franchise and a chance to get started. Rosenberg gave him that opportunity in Roslindale, Mass., and the man is already thriving. "I love what Bob Rosenberg stands for," he says. "So do many of the other franchisees." No wonder they are willing to work long hours individually and literally as families.

We don't need a Coniston, a Metro Media (owner of Ponderosa) or any other conglomerate coming in and ruining another chain — particularly not Dunkin' Donuts.

Exactly what Unicorp Canada, which owns a number of oil and gas companies, knows about the food-service business is a mystery. Nor does it seem to care. What Unicorp does seem to know is that Dunkin' shows handsome profits, is an attractive investment, and has great appeal in the marketplace. But its outstanding results hinge largely on the entrepreneurial spirit and tender care of Rosenberg.

Rosenberg essentially inherited Dunkin' from his father, founder William Rosenberg, who was Nation's Restaurant News' 1988 Multi-Unit Pioneer of the Year. Bob Rosenberg worked hard to learn the business as a night cook and at many other basic jobs in the restaurants during his youth.

After graduating from Cornell University's School of Hotel Administration and the Harvard Business School, he succeeded his father as chief executive in 1963. Over the years he creatively built doughnut leadership by fashioning mini-meals with soup and croissant sandwiches gradually added. Dunkin' has captured a dominant 20 percent share of the $4 billion doughnut food-service market in the United States.

Average per-unit sales are an exceptional $450,000 on a low initial investment cost. But some of the newer units are doing more than $1 million and as much as $1.5 million in the higher-traffic markets. Rosenberg has also launched kiosks in urban areas to sell donuts at other food-service units. And as a diversification that some experts question, he has launched Chili's franchised units in New England.

Unfortunately, Rosenberg and his executives are by necessity forced to spend the bulk of their time and effort trying to fend off this takeover bid or any other such bid that now may arise. This enforced diversion of effort is counter-productive and deplorable.

Dunkin' Donuts has revised its poison pill plan so that 40 percent of the stock could be under friendly ownership. But it is the other 60 percent that is worrisome as Unicorp pursues its takeover effort and perhaps opens the way for Dunkin' to become a takeover target of other corporations.

Bob Rosenberg and his father are completely dedicated to their chain and haven't the slightest intention of selling. We even doubt that they are looking for a white knight to bail them out.

Dunkin' is one of the last of the strong independent chains that have not been sucked up by a corporation. It should remain that way.

LETTERS

Let's get facts straight on solid-waste disposal

Editor, NRN:

This letter is in response to Barbara Mueller's May 15 letter to the Editor.

I, too, am involved in the restaurant industry. I am also directly involved in environmental protection, serving on an advisory board to the Orange County commissioners.

Sensible people should take sensible action to protect the quality of the environment in which we all live. As environmental issues arise that could lead to regulative measures via legislation, it's also sensible to separate emotions from facts *before* taking action.

Mueller states in her letter, "It's a fact that fast-food packaging is one of the major causes of America's huge garbage problem."

That statement is not a "fact" but rather is misinformation, which is all too often conveyed by well-meaning people who simply want the solid-waste problem resolved.

The real fact is that fast-food packaging amounts to less than 1 percent of total municipal solid waste. Statistics are readily available by contacting the U.S. Environmental Protection Agency.

A big problem we must overcome is that of letting misinformation confuse the real issue at hand: our need for improved solid-waste management.

Unfortunately, the solid-waste problem America is experiencing won't just "go away" with the banning of food-service disposables. The problem is a much bigger one, so it makes little sense to aim legislation at an albeit visible but minor contributing factor.

Let's get our facts *straight* before we *legislate*!

— **James D. Murdock**
Orlando, Fla.

Learning food service: A field with many faces

Editor, NRN:

I am writing in reference to your Editor's Corner, "Educational funk: Management schools."

I'd like to say that I believe many people are realizing the two-year associate degree programs are often the programs on the cutting edge. About four years ago we at Metro Community College decided the hotel field was just a segment of the total industry; furthermore, the majority of our graduates were going into other areas of food service.

We conducted a survey of the potential and actual job sites and found that we needed to revise our curriculum extensively. We dropped the "Hotel" out of our name and a year later dropped the "Restaurant" in order to properly name our program "Foodservice Technologies."

This habit of including Hotels, as you allude to, goes back to the days when the only good food was prepared in hotels and hotels and restaurants were synonymous. Obviously, it is not that way at the present.

Food service is a field in its own right; our graduates just happen to work in hotels, colleges, restaurants, hospitals, fast food, and on and on.

— **Jim Trebbien**
program representative/instructor
Metro Community College
Omaha, Neb.